

## EXECUTIVE SUMMARY

# The Tsar and his business serfs: Russian oligarchs and SMEs did not surprise Putin at the elections

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Despite deteriorating economic conditions, the Russian business community has remained loyal to the Kremlin: the elites have not become divided over the relatively mild Western sanctions, as Putin has managed to keep the wealthiest power brokers at bay through a variety of carrot-and-stick policies. Large commercial entities continue to rely on state contracts and other government support, while the Kremlin's business insiders have been finding innovative ways to circumvent Western sanctions. As the Kremlin has failed to help small and medium-sized businesses with predictable fiscal policy and relaxed regulation, the entrepreneurs have mostly reacted with more austerity and by moving into a shadow economy. Given the current level of relatively superficial sanctions, the US and the EU will probably have to play a long-term game before the Kremlin changes its aggressive domestic and foreign policies.



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